

Application: 22-05-002
(U 39 E)
Exhibit No.: (PG&E-6)
Date: September 2, 2022
Witness: Sebastien Csapo

PACIFIC GAS AND ELECTRIC COMPANY
DEMAND RESPOND AUCTION MECHANISM
PURSUANT TO THE JULY 5, 2022 SCOPING MEMO IN A.22-05-002
REBUTTAL TESTIMONY



PACIFIC GAS AND ELECTRIC COMPANY
DEMAND RESPOND AUCTION MECHANISM
PURSUANT TO THE JULY 5, 2022 SCOPING MEMO IN A.22-05-002
REBUTTAL TESTIMONY

TABLE OF CONTENTS

A. Introduction.....	1
B. Response to Parties' Positions.....	4
C. Conclusions.....	6

**PACIFIC GAS AND ELECTRIC COMPANY
DEMAND RESPOND AUCTION MECHANISM
PURSUANT TO THE JULY 5, 2022 SCOPING MEMO IN A.22-05-002
REBUTTAL TESTIMONY**

A. Introduction

Q 1 Please state your name and the purpose of this rebuttal testimony?

A 1 My name is Sebastien Csapo. This rebuttal testimony responds to supplemental testimonies filed by parties¹ pursuant to the Scoping Memo and related Administrative Law Judge (ALJ) Ruling,² asking whether a Demand Response Auction Mechanism (DRAM) should occur in 2023 with delivery in 2024 (DRAM 2024) and the associated budget.

Q 2 Can you summarize the recommendations made by parties who filed supplemental testimony?

A 2 The three utilities (Southern California Edison Company (SCE), San Diego Gas and Electric (SDG&E), and Pacific Gas and Electric Company (PG&E)) along with Public Advocates Office at the California Public Utilities Commission (Cal Advocates) recommend against having a 2024 DRAM year. On the other hand, third-party Demand Response Providers (DRP) along with other Distributed Energy Resource (DER) stakeholders recommend having a 2024 DRAM year.³

Q 3 Do parties make any recommendations for the budget if a 2024 DRAM year is ordered?

A 3 Parties expressed differing views on the appropriate budget for a 2024 DRAM year. PG&E's and OhmConnect's supplemental testimonies propose to use the 2023 DRAM budget of \$14 million (\$6 million for PG&E; \$6 million

¹ Supplemental testimonies were served by SCE, SDG&E, PG&E, Cal Advocates, Voltus, Inc., the California Energy Storage Alliance (CESA), CPower Inc. (CPower), OhmConnect, Inc. (OhmConnect), and jointly by the California Efficiency + Demand Management Council and Leapfrog Power, Inc. (the Council+Leap) on August 5, 2022.

² Assigned Commissioner's Ruling (ACR) dated July 5, 2022 containing the Scoping Memo for the DRAM schedule in A.22-05-002; E-Mail Ruling Regarding the Scope of Party Comment Concerning the Nexant Report dated July 14, 2022 clarifying the scope of issues in response to a party's inquiry.

³ *Ibid* Footnote 1.

for SCE; \$2 million for SDG&E) for a 2024 DRAM,⁴ if ordered. Other parties advocate a range of budget options, which vary from cutting the budget in half (\$6 million total)⁵ to doubling the current budget to \$28 million,⁶ among other options between these two bookends.⁷ It would be appropriate to maintain the current \$14 million budget for a 2024 DRAM year because it would simply be an extension of the current 2023 DRAM year and the historic budget has generally been \$14 million.

Q 4 Do parties recommend any specific modifications for a 2024 DRAM year if ordered?

A 4 Yes. Certain parties recommend changes. PG&E in its supplemental testimony advances two specific modifications,⁸ which include: (1) elimination of the Most Offer Obligation as a basis for capacity payment, and (2) mandating a minimum Resource size of 1 megawatt (MW). Voltus proposes three modifications,⁹ which include: (1) moving to a single auction clearing price, (2) imposing fees on investor-owned utilities (IOU) for late and inaccurate data, and (3) excusing DRAM providers from the monthly progress report for those who have two years of participation history. Lastly, CESA discusses a desire to adopt the Meter Generator Output

⁴ PG&E Supplemental Testimony (Exhibit PG&E-4) served August 5, 2022 (PG&E Supplemental Testimony) at p. 6; OhmConnect Supplemental Testimony served August 5, 2022 (OhmConnect supplemental testimony) at p. 1, lines 20-24.

⁵ SCE Supplemental Testimony served on August 5, 2022 (SCE Supplemental Testimony) at p. 9.

⁶ The California Efficiency + Demand Management Council (the Council) + Leapfrog Power, Inc. (Leap) Supplemental Testimony served on August 5, 2022 (the Council + Leap Supplemental Testimony) at p. 2, lines 17-23.

⁷ Voltus Supplemental Testimony served August 5, 2022 (Voltus Supplemental Testimony) at p. 4: Other budget options expressed by parties include “a modest budget increase.”

CPower Supplemental Testimony served August 5, 2022 (CPower Supplemental Testimony): An incremental increase of \$13 million [\$27 million total based on \$14 million + \$13 million] (CPower at p. 4, Question 3).

⁸ PG&E Supplemental Testimony, at p. 6, lines 13-15.

⁹ Voltus Supplemental Testimony at pp. 4-5.

1 measurement option, but it was not clear if the intent was for the 2024
2 DRAM year.¹⁰

3 Q 5 Can you provide an assessment of the feedback provided by parties in
4 supplemental testimony with respect to the DRAM evaluation report issued
5 by Nexant (the Report)?¹¹

6 A 5 Parties generally shared observations around the findings for the
7 six evaluation criteria.¹² Also, specific deficiencies associated with the
8 assessment process were expressed.¹³ PG&E observes that the results
9 were “mixed” as it relates to the six evaluation criteria and consistent with its
10 own experience with DRAM.¹⁴ Similarly, SCE indicates the Report’s
11 findings were consistent with SCE’s experience with DRAM.¹⁵ SDG&E
12 indicates that no new “insights” were found in the Report.¹⁶ Cal Advocates
13 stresses that ever since the first evaluation by the 2019 Energy Report,¹⁷
14 the same three criteria continue to be a challenge.¹⁸ Voltus indicates that
15 the Report observed “mixed to moderate” success.¹⁹ CPower expresses

10 CESA Supplemental Testimony served August 5, 2022 (CESA Supplemental Testimony) at p. 6.

11 Assigned Commissioner’s Scoping Memo and Ruling (July 5, 2022), Attachment 1 DRAM Evaluation submitted by Nexant in Partnership with Gridwell Consulting, (May 23, 2022), (Nexant Report) Available at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M490/K475/490475883.PDF>.

12 Nexant Report, p. 2, Table 1-1.

13 PG&E notes that the E-Mail Ruling Regarding the Scope of Party Comment Concerning the Nexant Report (July 14, 2022) (E-Mail Ruling), p. 3, states: “For present purposes, parties are not to comment upon the Report’s evaluation process, upon any aspect of the Report’s use of redacted information, or upon any aspect of the Report not grounded in the substance of the Report, and such comment may be subject to strike.” (Emphasis added).

14 PG&E Supplemental Testimony at p. 3, lines 7-8.

15 SCE Supplemental Testimony at p. 2, lines 6-7.

16 SDG&E Supplemental Testimony served August 5, 2022 (SDG&E Supplemental Testimony) at p. EBM-2, line 22.

17 Energy Division’s Evaluation of DRAM, (January 4, 2019) (Energy Division Evaluation). Available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/d/6442460092-dram-evaluation-final-report-public-01-4-19-final.pdf>.

18 Cal Advocates Supplemental Testimony served August 5, 2022 (Cal Advocates Supplemental Testimony) at p. 1-2, lines 19-22.

19 Voltus Supplemental Testimony at p. 3.

concerns around the redactions and believes that the six evaluation criteria should have been weighted based on importance.²⁰ CESA expresses a concern related to not separating out storage from other technologies.²¹ The California Efficiency + Demand Management Council (CEDMC) + Leap observes that at least five of the evaluation criteria were met or are showing improvement.²² Finally, OhmConnect took issue with the finding that bids were not competitive based on the comparison pool as described in their testimony.²³

B. Response to Parties' Positions

Q 6 Do you agree with claims that if a 2024 DRAM is not held then those MWs would be lost or not made available in the future?

A 6 PG&E believes the MWs would not be lost if the CPUC does not extend DRAM to 2024. The claim that DRAM resources would not switch to the Capacity Bidding Program (CBP),²⁴ seems inconsistent with PG&E's experience. Both DRAM and CBP are interchangeable since they utilize Proxy Demand Resources (PDR). Whether a DRP/Aggregator chooses to switch participants between DRAM and CBP is a business decision by the DRP/Aggregator.

PG&E observes that comments made by stakeholders appear to support PG&E's position for broad based opportunities for current Demand Response (DR) resources. For instance, CPower admits that it participated in SCE's DR RA solicitation and has interest in additional solicitations.²⁵ Likewise, the Council + Leap admits that "[s]ince 2021, Leap has contracted with over a dozen Community Choice Aggregators."²⁶ Arguments claiming that DRAM MWs will vanish are contrary to Third Party DRPs' motivation to maintain their resources and monetize them in multiple ways outside of

²⁰ CPower Supplemental Testimony at p. 9, Question 16 and p. 10, Question 20.

²¹ CESA Supplemental Testimony at p. 4, lines 14-18.

²² The Council + Leap Supplemental Testimony at p. 5, line 26 to p. 6, line 1.

²³ OhmConnect Supplemental Testimony at p. 5, lines 8-22.

²⁴ CPower Supplemental Testimony at p. 7, lines 26-30.

²⁵ CPower Supplemental Testimony at pp. 6-7, Question 8.

²⁶ The Council + Leap Supplemental Testimony at p. 2, lines 3-4.

1 DRAM. This is why PG&E is in the process of scaling Rule 24 in order to
2 meet projected needs based on the expected growth of non-utility DR.²⁷

3 Q 7 What is PG&E's response to the recommendations by Voltus for
4 improvements for a 2024 DRAM year?

5 A 7 First, without judging the merits of the modifications proposed by Voltus,
6 PG&E posits that they are either infeasible or do not have a direct bearing
7 on a 2024 DRAM year based on findings in the Nexant Report.²⁸ These
8 issues are appropriate for Phase 2.

9 To further expand on the proposed improvements, PG&E categorically
10 responds to each. First, Voltus recommends converting the current DRAM
11 auction mechanism from a "pay as you bid" to a "unified clearing price."²⁹
12 Such a recommendation has both a significant policy aspect that would
13 require extensive consideration and a complete revamping of the auction
14 mechanism, something that is not possible given the short lead time for a
15 2024 DRAM. Moreover, this issue was not part of the Nexant Report.

16 Second, Voltus recommends "fees should be imposed on IOUs for late
17 or inaccurate data delivery."³⁰ While data issues have been the subject of a
18 prior effort,³¹ resolution of this matter and potential implementation would
19 not be practical for a 2024 DRAM. Moreover, this issue is not limited to
20 DRAM as it also covers data exchange with non-DRAM entities.

21 Third, Voltus "requests a default rule that DRPs who have won bids in at
22 least the last two DRAM cycles be relieved of the requirement to submit
23 monthly progress reports to the IOUs."³² PG&E believes this

²⁷ PG&E Opening Testimony (Exhibit PG&E-1), p. 2-4 to p. 2-7.

²⁸ E-Mail Ruling, p. 3 "Because the Auction Mechanism's future beyond 2024 will be addressed at a later time in this proceeding, there will also be a later opportunity for parties to comment on the Nexant Report. An Amended Scoping Memo, Ruling, or party conference will provide clear guidance regarding that further stage of the proceeding. That guidance will include direction regarding additional opportunity for party comment on the Nexant Report."

²⁹ Voltus Supplemental Testimony at p. 4.

³⁰ Voltus Supplemental Testimony at p. 5.

³¹ Nexant report, Appendix A, Revenue Quality Meter Data Working Group Report for the DR Evaluator, (May 14, 2021). Available at:
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M490/K475/490475883.PDF>).

³² Voltus Supplemental Testimony at p. 5.

1 recommendation does not improve DRAM and does not have relevance to
 2 the Nexant Report. On the contrary, removal of the progress report would
 3 serve to decrease the ability to monitor a DRAM Seller's preparedness for
 4 the upcoming delivery period.

5 Q 8 Can PG&E provide its perspective on the supplemental testimony filed by
 6 Cal Advocates?

7 A 8 PG&E believes that Cal Advocates provides a comprehensive assessment
 8 of DRAM based on its involvement with the DRAM proceeding over the
 9 years using data that it presented in supplemental testimony. Overall,
 10 Cal Advocates determined that "DRAM resources were not reliable during
 11 the times of greatest need,"³³ "DRAM resources have failed to meet their
 12 contractual obligations"³⁴ and that "Some DRAM capacity invoices have
 13 been greatly overstated."³⁵

14 Cal Advocates points to the Energy Division's own evaluation of DRAM
 15 for the 2016-2017 findings that show the pilot failed to achieve three of the
 16 six criteria that were established.³⁶ Now, the Nexant Report similarly
 17 determined that for 2018 through 2021, the results were mixed with only the
 18 first three criteria having clearly met objectives.³⁷

19 C. Conclusions

20 Q 9 Can PG&E summarize its position for a 2024 DRAM year?

21 A 9 PG&E believes that DRAM has outlived its primary purpose, which was to
 22 jump start a robust third-party DR market. After eight auctions, the pilot's
 23 earmark of special treatment for DRAM is inappropriate and flawed in its
 24 implementation. Third-party DRPs should be expected to compete with
 25 other resources rather than having a designated carve-out.

33 Cal Advocates at p. 1-4 to p. 1-5.

34 Cal Advocates at p. 1-5 to p. 1-7.

35 Cal Advocates at p. 1-7 to p. 1-12.

36 Energy Division Evaluation , p. 12. Available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/d/6442460092-dram-evaluation-final-report-public-01-4-19-final.pdf>.

37 Nexant Report, p. 2, Table 1-1.

PG&E's opening testimony³⁸ and subsequent supplemental testimony³⁹ advocates against having a 2024 DRAM year unless deficiencies are first addressed. The Utilities⁴⁰ along with Cal Advocates⁴¹ believe pivoting to other procurement mechanisms for DR participation is better as it would be both competitive and need based.

Q 10 Are there any outstanding issues that would need to be addressed in order to undertake a 2024 DRAM year?

A 10 There are a couple of contractual issues⁴² that require attention in order to undertake a 2024 DRAM year even if the CPUC does not adopt the two specific modifications proposed by PG&E in supplemental testimony.⁴³ These issues may require updating the DRAM pro forma contract and supporting documents, including but not limited to modifications to the DRAM solicitation protocols and related contract exhibits.

Q 11 What are the alternatives for DRAM resources if a 2024 DRAM Year is not ordered by the CPUC?

A 11 There are a number of opportunities for DRAM resources to participate in DR as discussed in Question 9 of this testimony and previously presented in PG&E's supplemental testimony⁴⁴ and PG&E's opening testimony.⁴⁵

Q 12 Does this conclude your rebuttal testimony?

A 12 Yes, it does.

³⁸ PG&E Opening Testimony (Exhibit PG&E-2), p. 5-8, lines 4-12.

³⁹ PG&E Supplemental Testimony at p. 2, lines 16-22.

⁴⁰ PG&E Opening Testimony (Exhibit PG&E-2), at p. 5-7, line 11 to p. 5-8, lines 3; SCE Opening Testimony at p. 9, lines 10-12; SDG&E Opening Testimony at p. EBM-1, line 18 to p. EBM-2, line 1.

⁴¹ Cal Advocates Opening Testimony, p. 1-3, lines 11-14.

⁴² PG&E Supplemental Testimony, at p. 6, lines 16-24 along with supporting footnotes 22 and 23. First, the testing convention per D.22-06-050 does require updating the contract. Second, the pro forma contract potentially could reference the Distribution Loss Factor per D.21-06-029.

⁴³ PG&E Supplemental Testimony, at p. 6, lines 13-15. The two specific modifications proposed by PG&E include: (1) Elimination of the Must Offer Obligation as a basis for compensation, and (2) Establishment of a 1 MW minimum requirement for each DRAM Resource. The Nexant Report explicitly recommends the first modification while suggesting the second modification would provide benefits.

⁴⁴ PG&E Supplemental Testimony at p. 2, lines 16-22.

⁴⁵ PG&E Opening Testimony (Exhibit PG&E-2), p. 5-7, line 11 to 5-8, line 3.